



**Mary Taylor, CPA**  
Auditor of State



**ELYRIA TOWNSHIP  
LORAIN COUNTY**

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**INDEPENDENT ACCOUNTANTS' REPORT**

Elyria Township  
Lorain County  
41416 Griswold Road  
Elyria, Ohio 44035

To the Board of Trustees:

We have selectively tested certain accounts, financial records, files, and reports of Elyria Township, Lorain County, Ohio, (the Township) as of and for the year ended December 31, 2007 following Ohio Admin. Code § 117-4-02.

We noted noncompliance findings and internal control deficiencies as a result of performing these procedures. Our reportable noncompliance findings and internal control deficiencies follow the financial presentation. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, and we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Trustees, and other officials authorized to receive this report under §117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

December 10, 2009

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**Elyria Township**  
**Lorain County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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The discussion and analysis of Elyria Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2007, within the limitations of the Township's cash basis of accounting. Readers are encouraged to also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Financial Highlights**

Key financial highlights for 2007 are as follows:

- The Township's net assets at December 31, 2007 were \$878,718.
- The Township's total net assets increased by \$235,443 or 36.60 percent.
- The Township's general receipts are primarily property taxes and grants and entitlements. General receipts represent 73.56 percent of the total cash received for governmental activities during 2007. Program specific receipts in the form of charges for services, operating grants and contributions and capital grants and contributions represent the remaining 26.44 percent of total cash received.

**Using this Annual Financial Report**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standard's Board Statement No. 34, as applicable to the Township's cash basis of accounting.

*Report Components*

The Statement of Net Assets and Statement of Activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

*Basis of Accounting*

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Township as a Whole**

One of the most important questions asked about the Township's finances is, "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information, within the limitations of the cash basis of accounting, about the Township as a whole and about its activities in a way that helps answer this question. The Statement of Net Assets presents the cash balances of the governmental activities of the Township at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

**Reporting on the Most Significant Funds of Elyria Township**

Fund financial statements provide detailed information about the Township's major governmental funds – not the Township as a whole. The Township establishes separate funds to better manage its activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The Township's significant governmental funds are presented on the financial statements in separate columns. The Township's major governmental funds are as follows: General Fund, Road and Bridge Fund, Fire Levy Fund, and Joint Economic Development District (JEDD) Miscellaneous Capital Fund. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column.



**Elyria Township**  
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**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2007 compared to 2006 on a cash basis:

**Table 1**  
**Net Assets**

	Governmental Activities		
	2007	2006	Change
<b>Assets</b>			
Cash and Cash Equivalents	\$878,718	\$643,275	\$235,443
<b>Net Assets</b>			
Restricted:			
Capital Projects	311,971	244,585	67,386
Fire Protection	243,705	228,042	15,663
Street Lighting	3,738	5,776	(2,038)
Road and Bridge	274,569	220,808	53,761
Recycling	65,882	58,574	7,308
Unrestricted (Deficit)	(21,147)	(114,510)	93,363
<b>Total Net Assets</b>	<b>\$878,718</b>	<b>\$643,275</b>	<b>\$235,443</b>

Total net assets increased \$235,443 from 2006 to 2007 or 36.60 percent.

Table 2 reflects the changes in net assets on a cash basis in 2007 compared to 2006 for Governmental Activities.

**Elyria Township**  
**Lorain County, Ohio**  
*Management's Discussion and Analysis*  
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**Table 2**  
**Changes in Net Assets**

	Governmental Activities		
	2007	2006	Change
<b>Receipts:</b>			
Program Receipts			
Charges for Services	\$120,581	\$59,591	\$60,990
Operating Grants and Contributions	226,937	189,539	37,398
Capital Grants and Contributions	94,963	0	94,963
<i>Total Program Receipts</i>	<u>442,481</u>	<u>249,130</u>	<u>193,351</u>
General Receipts			
Property Taxes	452,977	410,076	42,901
Income Taxes levied for the JEDD	61,110	60,990	120
Grant and Entitlements, Not Restricted to Specific Programs	421,864	126,716	295,148
Bonds Issued	0	50,000	(50,000)
Loans Issued	258,600	0	258,600
Sale of Capital Assets	0	15,625	(15,625)
Interest	13,706	10,977	2,729
Miscellaneous	22,473	63,958	(41,485)
<i>Total General Receipts</i>	<u>1,230,730</u>	<u>738,342</u>	<u>492,388</u>
<i>Total Receipts</i>	<u>1,673,211</u>	<u>987,472</u>	<u>685,739</u>
<b>Disbursements:</b>			
General Government	509,325	452,417	(56,908)
Public Safety	95,565	84,233	(11,332)
Public Works	302,582	251,051	(51,531)
Health	4,712	9,610	4,898
Capital Outlay	451,023	112,300	(338,723)
Debt Service:			
Principal Retirement	71,600	71,500	(100)
Interest and Fiscal Charges	2,961	4,736	1,775
<i>Total Disbursements</i>	<u>1,437,768</u>	<u>985,847</u>	<u>451,921</u>
<i>Change in Net Assets</i>	235,443	1,625	233,818
<i>Net Assets, Beginning of Year</i>	<u>643,275</u>	<u>641,650</u>	<u>1,625</u>
<i>Net Assets, End of Year</i>	<u>\$878,718</u>	<u>\$643,275</u>	<u>\$235,443</u>

Program receipts represent only 26.44 percent of total receipts and are primarily comprised of operating grants and contributions receipts.

**Elyria Township**  
**Lorain County, Ohio**  
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General receipts represent 73.56 percent of the Township's total receipts, and of this amount, 36.81 percent are local taxes. Municipal income taxes from the JEDD and grants and entitlements make up another 39.24 percent.

Disbursements for general government represent the overhead costs of running the Township and the support services provided for the other Township activities. These costs do not represent direct services to residents.

**Governmental Activities**

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government, which account for 35.42 percent of all governmental disbursements. Public works disbursements account for 21.05 percent. Public safety disbursements make up 6.65 percent while capital outlay consists of 31.37 percent.

The next columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from general receipts which are presented at the bottom of the Statements. A comparison between the total cost of services and the net cost is presented in Table 3.

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
General Government	\$509,325	\$452,417	(\$418,662)	(\$414,583)
Public Safety	95,565	84,233	(41,350)	(43,647)
Public Works	302,582	251,051	(100,888)	(81,447)
Health	4,712	9,610	(3,766)	(8,504)
Capital Outlay	451,023	112,300	(356,060)	(112,300)
Debt Service:				
Principal Retirement	71,600	71,500	(71,600)	(71,500)
Interest and Fiscal Charges	2,961	4,736	(2,961)	(4,736)
Total Expenses	<u>\$1,437,768</u>	<u>\$985,847</u>	<u>(\$995,287)</u>	<u>(\$736,717)</u>

The dependence upon general receipts is apparent as 69.22 percent of governmental activities are supported through these general receipts.

**Elyria Township**  
**Lorain County, Ohio**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2007*  
*Unaudited*

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**The Township's Funds**

Total governmental funds had receipts of \$1,414,611 and disbursements of \$1,437,768. While the overall change in fund balance was \$235,443 almost all funds had significant changes.

**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, original and final budgeted revenues, not including other financing sources, were \$354,769 and actual revenue collections were \$682,853. The majority of the increase in actual revenue over the final budgeted amount is due to intergovernmental revenues. For the general fund, original and final appropriations, not including other financing uses, were \$422,071 and actual expenditures were \$650,960. Actual expenditures were \$228,889 over the final appropriations.

**Debt Administration**

At December 31, 2007, the Township had outstanding debt in the amount of \$287,549 which consisted of \$12,249 in an OPWC loan, \$16,700 in an ambulance bond and a \$258,600 loan to purchase land.

See Note 9 in the financial statements for more information of the Township's outstanding debt.

**Current Financial Related Activities**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Township relies heavily on local taxes.

**Contacting the Township's Financial Management**

This financial report is designed to provide a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Elyria Township Fiscal Officer, 41416 Griswold Road, Elyria Township, Ohio 44035.

**Elyria Township**  
**Lorain County, Ohio**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2007*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$878,718</u>
<b>Net Assets</b>	
Restricted for:	
Capital Projects	\$311,971
Fire Protection	243,705
Street Lighting	3,738
Road and Bridge	274,569
Recycling	65,882
Unrestricted (Deficit)	<u>(21,147)</u>
<i>Total Net Assets</i>	<u>\$878,718</u>

See accompanying notes to the basic financial statements

**Elyria Township**  
**Lorain County, Ohio**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2007*

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Assessments	Operating Grants and Contributions	Capital Grants and Contributions	Total
<b>Governmental Activities</b>					
General Government	\$509,325	\$90,663	\$0	\$0	(\$418,662)
Public Safety	95,565	19,141	35,074	0	(41,350)
Public Works	302,582	9,831	191,863	0	(100,888)
Health	4,712	946	0	0	(3,766)
Capital Outlay	451,023	0	0	94,963	(356,060)
Debt Service:					
Principal Retirement	71,600	0	0	0	(71,600)
Interest and Fiscal Charges	2,961	0	0	0	(2,961)
<b>Total</b>	<u>\$1,437,768</u>	<u>\$120,581</u>	<u>\$226,937</u>	<u>\$94,963</u>	<u>(995,287)</u>
<b>General Receipts</b>					
Property Taxes Levied for:					
General Purposes					127,418
Road and Bridge					143,147
Fire District					182,412
Income Taxes Levied for JEDD					61,110
Grants and Entitlements not Restricted to Specific Programs					421,864
Loans Issued					258,600
Interest					13,706
Miscellaneous					22,473
<i>Total General Receipts</i>					<u>1,230,730</u>
Change in Net Assets					235,443
<i>Net Assets, Beginning of Year</i>					<u>643,275</u>
<i>Net Assets, End of Year</i>					<u><u>\$878,718</u></u>

See accompanying notes to the basic financial statements

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**Elyria Township**  
**Lorain County, Ohio**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2007*

	<u>General</u>	<u>Road and Bridge</u>	<u>Fire Levy</u>
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	<u>\$35,987</u>	<u>\$145,246</u>	<u>\$243,705</u>
<b>Fund Balances</b>			
Unreserved:			
Undesignated, Reported in:			
General Fund	35,987	0	0
Special Revenue Funds	0	145,246	243,705
Capital Projects Funds	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total Fund Balances</i>	<u>\$35,987</u>	<u>\$145,246</u>	<u>\$243,705</u>

See accompanying notes to the basic financial statements



JEDD Miscellaneous Capital	Other Governmental Funds	Total Governmental Funds
<u>\$311,971</u>	<u>\$141,809</u>	<u>\$878,718</u>
0	0	35,987
0	148,617	537,568
<u>311,971</u>	<u>(6,808)</u>	<u>305,163</u>
<u>\$311,971</u>	<u>\$141,809</u>	<u>\$878,718</u>

**Elyria Township**  
**Lorain County, Ohio**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2007*

	General	Road and Bridge	Fire Levy
<b>Receipts</b>			
Property Taxes	\$127,418	\$143,147	\$182,412
Income Taxes Levied from the JEDD	0	0	0
Charges for Services	52,410	3,841	0
Licenses, Permits and Fees	36,077	0	0
Intergovernmental	421,864	25,953	34,874
Special Assessments	0	0	0
Gifts and Donations	200	0	0
Rentals	22,464	0	0
Interest	5,092	0	0
Other	17,328	628	0
<i>Total Receipts</i>	<u>682,853</u>	<u>173,569</u>	<u>217,286</u>
<b>Disbursements</b>			
Current:			
General Government	367,317	0	131,781
Public Safety	95,384	0	181
Public Works	1,000	162,319	0
Health	4,712	0	0
Capital Outlay	182,547	0	86,200
Debt Service:			
Principal Retirement	0	0	66,700
Interest and Fiscal Charges	0	0	2,961
<i>Total Disbursements</i>	<u>650,960</u>	<u>162,319</u>	<u>287,823</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>31,893</u>	<u>11,250</u>	<u>(70,537)</u>
<b>Other Financing Sources (Uses)</b>			
Loans Issued	86,200	0	86,200
Transfers In	50,150	0	0
Transfers Out	(59,858)	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>76,492</u>	<u>0</u>	<u>86,200</u>
<i>Net Change in Fund Balances</i>	108,385	11,250	15,663
<i>Fund Balances (Deficit), Beginning of Year</i>	<u>(72,398)</u>	<u>133,996</u>	<u>228,042</u>
<i>Fund Balances, End of Year</i>	<u>\$35,987</u>	<u>\$145,246</u>	<u>\$243,705</u>

See accompanying notes to the basic financial statements

JEDD Miscellaneous Capital	Other Governmental Funds	Total Governmental Funds
\$0	\$0	\$452,977
61,110	0	61,110
0	0	56,251
0	0	36,077
0	260,873	743,564
0	5,789	5,789
0	0	200
0	0	22,464
6,576	2,038	13,706
0	4,517	22,473
<u>67,686</u>	<u>273,217</u>	<u>1,414,611</u>
0	10,227	509,325
0	0	95,565
0	139,263	302,582
0	0	4,712
86,500	95,776	451,023
0	4,900	71,600
0	0	2,961
<u>86,500</u>	<u>250,166</u>	<u>1,437,768</u>
<u>(18,814)</u>	<u>23,051</u>	<u>(23,157)</u>
86,200	0	258,600
0	62,258	112,408
0	(52,550)	(112,408)
<u>86,200</u>	<u>9,708</u>	<u>258,600</u>
67,386	32,759	235,443
<u>244,585</u>	<u>109,050</u>	<u>643,275</u>
<u>\$311,971</u>	<u>\$141,809</u>	<u>\$878,718</u>

**Elyria Township**  
**Lorain County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property Taxes	\$133,224	\$133,224	\$127,418	(\$5,806)
Charges for Services	25,000	25,000	52,410	27,410
Licenses, Permits and Fees	25,000	25,000	36,077	11,077
Intergovernmental	123,003	123,003	421,864	298,861
Gifts and Donations	250	250	200	(50)
Rentals	25,000	25,000	22,464	(2,536)
Interest	4,000	4,000	5,092	1,092
Other	19,292	19,292	17,328	(1,964)
<i>Total Receipts</i>	<u>354,769</u>	<u>354,769</u>	<u>682,853</u>	<u>328,084</u>
<b>Disbursements</b>				
Current:				
General Government	243,502	243,502	367,317	(123,815)
Public Safety	86,266	86,266	95,384	(9,118)
Public Works	904	904	1,000	(96)
Health	4,262	4,262	4,712	(450)
Capital Outlay	87,137	87,137	182,547	(95,410)
<i>Total Disbursements</i>	<u>422,071</u>	<u>422,071</u>	<u>650,960</u>	<u>(228,889)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(67,302)</u>	<u>(67,302)</u>	<u>31,893</u>	<u>99,195</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	0	1,220	0	(1,220)
Loans Issued	0	0	86,200	86,200
Transfers In	0	0	50,150	50,150
Transfers Out	0	0	(59,858)	(59,858)
<i>Total Other Financing Sources (Uses)</i>	<u>0</u>	<u>1,220</u>	<u>76,492</u>	<u>75,272</u>
<i>Net Change in Fund Balance</i>	(67,302)	(66,082)	108,385	174,467
<i>Fund Balance (Deficit), Beginning of Year</i>	<u>(72,398)</u>	<u>(72,398)</u>	<u>(72,398)</u>	<u>0</u>
<i>Fund Balance (Deficit), End of Year</i>	<u>(\$139,700)</u>	<u>(\$138,480)</u>	<u>\$35,987</u>	<u>\$174,467</u>

See accompanying notes to the basic financial statements

**Elyria Township**  
**Lorain County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Road and Bridge Fund*  
*For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Property Taxes	\$163,803	\$163,803	\$143,147	(\$20,656)
Charges for Services	14,000	14,000	3,841	(10,159)
Intergovernmental	0	0	25,953	25,953
Other	0	0	628	628
<i>Total Receipts</i>	<u>177,803</u>	<u>177,803</u>	<u>173,569</u>	<u>(4,234)</u>
<b>Disbursements</b>				
Current:				
Public Works	<u>165,202</u>	<u>165,202</u>	<u>162,319</u>	<u>2,883</u>
<i>Net Change in Fund Balance</i>	12,601	12,601	11,250	(1,351)
<i>Fund Balance, Beginning of Year</i>	<u>133,996</u>	<u>133,996</u>	<u>133,996</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u><u>\$146,597</u></u>	<u><u>\$146,597</u></u>	<u><u>\$145,246</u></u>	<u><u>(\$1,351)</u></u>

See accompanying notes to the basic financial statements

**Elyria Township**  
**Lorain County, Ohio**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual - Budget Basis*  
*Fire Levy Fund*  
*For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Property Taxes	\$216,548	\$216,548	\$182,412	(\$34,136)
Intergovernmental	26,823	26,823	34,874	8,051
<i>Total Receipts</i>	<u>243,371</u>	<u>243,371</u>	<u>217,286</u>	<u>(26,085)</u>
<b>Disbursements</b>				
Current:				
General Government	192,991	192,991	131,781	61,210
Public Safety	200	200	181	19
Capital Outlay	0	0	86,200	(86,200)
Debt Service:				
Principal Retirement	66,700	66,700	66,700	0
Interest and Fiscal Charges	3,000	3,000	2,961	39
<i>Total Disbursements</i>	<u>262,891</u>	<u>262,891</u>	<u>287,823</u>	<u>(24,932)</u>
<i>Excess of Receipts Under Disbursements</i>	(19,520)	(19,520)	(70,537)	(51,017)
<b>Other Financing Sources</b>				
Loans Issued	0	0	86,200	86,200
<i>Net Change in Fund Balance</i>	(19,520)	(19,520)	15,663	35,183
<i>Fund Balance, Beginning of Year</i>	<u>228,042</u>	<u>228,042</u>	<u>228,042</u>	<u>0</u>
<i>Fund Balance, End of Year</i>	<u>\$208,522</u>	<u>\$208,522</u>	<u>\$243,705</u>	<u>\$35,183</u>

See accompanying notes to the basic financial statements

**Elyria Township**  
**Lorain County, Ohio**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*Fiduciary Funds*  
*December 31, 2007*

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	<u>Agency</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$52</u>
<b>Net Assets</b>	
Unrestricted	<u>\$52</u>

See accompanying notes to the basic financial statements

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**Elyria Township**  
**Lorain County, Ohio**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

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**Note 1 – Reporting Entity**

Elyria Township, Lorain County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The reporting entity is comprised of the primary government and other organizations that were included to ensure that the financial statements are not misleading.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, fire protection, emergency medical services, and maintenance of Township roads and bridges.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township has no component units.

**C. Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools**

The Township participates in two jointly governed organizations, one joint venture and one public entity risk pool. Notes 11, 12 and 13 to the financial statements provide additional information for these entities. These organizations are:

Jointly Governed Organizations:

Lorain County General Health District  
Northeast Ohio Areawide Coordinating Agency

Joint Venture:

Elyria Township – City of Elyria Joint Economic Development District (JEDD)

Public Entity Risk Pool:

Ohio Township Association Risk Management Authority

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**Elyria Township**  
**Lorain County, Ohio**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

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**Note 2 – Summary of Significant Accounting Policies**

As discussed further under Basis of Accounting, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements usually distinguish between those activities of the Township that are governmental and those that are considered business-type. The Township, however, has no business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash and investment balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

**Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**B. Fund Accounting**

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into two categories, governmental and fiduciary.

**Elyria Township**  
**Lorain County, Ohio**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

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Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are as follows:

**General Fund** This fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

**Road and Bridge Fund** This fund is used to account for property tax revenue used to provide road and bridge maintenance.

**Fire Levy Fund** This fund is used to account for property tax revenue used to provide fire protection services.

**JEDD Miscellaneous Capital Fund** This fund is used to account for municipal income tax monies received from the JEDD with the City of Elyria to pay for long term maintenance expenses.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency fund accounts for commercial permits.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund level for all funds.

**Elyria Township**  
**Lorain County, Ohio**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

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The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

During 2007, the Township invested in nonnegotiable certificates of deposit and STAR Ohio. The nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2007.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the general fund during 2007 were \$5,092 of which \$4,531 was assigned from other Township funds.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

**Elyria Township**  
**Lorain County, Ohio**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

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I. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for long-term obligations. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation as adopted by the Township or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide statement of net assets reports restricted net assets of \$899,865, none of which are restricted by enabling legislation. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

M. Interfund Activity

Internal events that are allocations of overhead disbursements from one function to another or within the same function are eliminated on the statement of activities.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**Note 3 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund, road and bridge special revenue fund, and fire levy special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There are no differences between the budgetary basis and the cash basis.

**Elyria Township**  
**Lorain County, Ohio**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

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**Note 4 – Deposits and Investments**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

**Elyria Township**  
**Lorain County, Ohio**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

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Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Township had no undeposited cash on hand.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$678,133 of the Township's bank balance of \$778,133 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized with securities specifically pledged by the financial institution to the Township.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

Investments are reported at fair value. As of December 31, 2007, the Township had the following investments:

	Fair Value	Maturity
STAR Ohio	\$152,743	Less than One Year

**Interest Rate Risk.** The Township has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

**Credit Risk.** STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The Township has no investment policy that would further limit its investment choices.

**Concentration of Credit Risk.** The Township places no limit on the amount it may invest in any one issuer. The Township's allocation as of December 31, 2007 is 100 percent to STAR Ohio.

**Elyria Township**  
**Lorain County, Ohio**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

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**Note 5 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property assessments are being phased out—the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2007, was \$6.78 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$70,397,900
Tangible Personal Property	2,622,813
Public Utility	5,000,870
Total Assessed Value	<u><u>\$78,021,583</u></u>

**Note 6 – Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2007, the Township belonged to the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool. More information for OTARMA can be found in Note 13.

Settled claims have not exceeded coverage in any of the last three years.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.



**Elyria Township**  
**Lorain County, Ohio**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

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**Note 7 – Defined Benefit Pension Plans**

**A. Ohio Public Employees Retirement System**

Plan Description – All Township full-time employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5 percent of covered payroll, public safety members contributed 9.75 percent and law enforcement members contributed 10.1 percent.

The Township's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement or public safety, for whom the Township's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, a portion of the Township's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Township of 14 percent, except for public safety and law enforcement, where the maximum employer contribution rate is 18.1 percent.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$14,188, \$14,323 and \$17,006, respectively; 100 percent has been contributed for 2007 and 100 percent for 2006 and 2005. No contributions were made to the member-directed plan for 2007.

**B. Social Security**

Effective August 3, 1992, any new part-time Township firefighters are no longer covered by OPERS and must contribute to social security. The Township liability is 6.2 percent of wages paid.

**Elyria Township**  
**Lorain County, Ohio**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

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**Note 8 – Post-employment Benefits**

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for public safety and law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 to December 31, 2007.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Township's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$9,345, \$7,006 and \$7,123 respectively. 100 percent has been contributed for 2007 and 100 percent for 2006 and 2005.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

**Elyria Township**  
**Lorain County, Ohio**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

**Note 9 – Debt**

Original issue amounts and interest rates of the Township’s debt were as follows:

Debt Issue	Interest Rate	Original Issue	Year Of Maturity
<b>Governmental Activities:</b>			
<i>General Obligation Bonds:</i>			
General Obligation Bond - 2003	2.75 %	\$250,000	2007
Ambulance Bond - 2006	4.75	50,000	2008
<i>Loan:</i>			
Land Purchase - 2007	7.00	258,600	2012
<i>OPWC Loans:</i>			
Murry Ridge Road - 2000	0.00	48,998	2010

The Township’s long-term debt activity for the year ended December 31, 2007, was as follows:

	Balance 12/31/2006	Additions	Reductions	Balance 12/31/2007	Due Within One Year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$50,000	\$0	(\$50,000)	\$0	\$0
Ambulance Bond	33,400	0	(16,700)	16,700	16,700
Land Purchase Loan	0	258,600	0	258,600	51,720
OPWC Loan	17,149	0	(4,900)	12,249	4,900
<b>Total</b>	<b>\$100,549</b>	<b>\$258,600</b>	<b>(\$71,600)</b>	<b>\$287,549</b>	<b>\$73,320</b>

The ambulance bond and land purchase loan are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments. Payments are made out of the fire levy fund for the ambulance bond and out of the general fund, fire levy fund and JEDD miscellaneous capital fund for the land purchase loan.

The OWPC loan was for resurfacing Murray Ridge Road. The OPWC loan is paid from the Public Works Commission capital projects fund.

The following is a summary of the Township’s future annual debt service requirements:

	Ambulance Bond		Land Purchase Loan		OWPC Loan
	Principal	Interest	Principal	Interest	Principal
2008	\$16,700	\$793	\$51,720	\$17,700	\$4,900
2009	0	0	51,720	14,482	4,900
2010	0	0	51,720	10,861	2,449
2011	0	0	51,720	7,242	0
2012	0	0	51,720	3,620	0
<b>Total</b>	<b>\$16,700</b>	<b>\$793</b>	<b>\$258,600</b>	<b>\$53,905</b>	<b>\$12,249</b>

**Elyria Township**  
**Lorain County, Ohio**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

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The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed an amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2007, were an overall debt margin of \$7,904,717 and an unvoted debt margin of \$4,003,638.

**Note 10 – Contingent Liabilities**

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Township's financial condition.

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**Note 11 – Jointly Governed Organizations**

***A. Lorain County General Health District***

The Township participates in the Lorain County General Health District, a jointly governed organization, which provides health services to the citizens within the Health District. The Health District is governed by the Board of Health, which represents the area served by the Health District and oversees the operation of the Health District. The Board of Health members are appointed to staggered five year terms. One member is appointed by the City of North Ridgeville, one member is jointly appointed by the cities of Avon and Sheffield Lake and one member is jointly appointed by the cities of Amherst and Oberlin. The remaining five members are appointed by the various mayors of villages, chairmen of township trustees and the County Commissioners. The Township contributed \$9,424 during 2007 for the operation of the Health District. Financial information can be obtained by contacting the Lorain County General Health District, 9880 Murray Ridge Road, Elyria, Ohio, 44035.

***B. Northeast Ohio Areawide Coordinating Agency***

The Northeast Ohio Areawide Coordinating Agency (NOACA) was created by the County Commissioners of Cuyahoga, Geauga, Lake, Lorain and Medina counties and is responsible for transportation and environmental planning in the five county region. NOACA is controlled by a 38 member board. The board exercises total control over the operation of the corporation including budgeting, appropriating, contracting and designing management. Each participant's degree of control is limited to its representation on the board. During 2007, the Township contributed \$76 to the agency.

**Note 12 – Joint Venture**

The Township participates in the Elyria Township – City of Elyria Joint Economic Development District (JEDD) which is created in accordance with sections 715.72 through 715.83 of the Ohio Revised Code. The purpose of the JEDD is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State, the Township and the City. The City and the Township shall work together to provide or cause to be provided, water,

**Elyria Township**  
**Lorain County, Ohio**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

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sewer, storm sewer, street lighting, roads, sidewalks and other local government services to the area. These services are funded by a predetermined percentage of income tax revenue. The Board of Directors consists of five members, the Township appoints two; one representing the Township and one representing the business owners in the JEDD, the City appoints two; one representing the City and one representing persons working within the JEDD, the fifth member shall serve as chairman and shall be elected by the other four members. The Board adopted an annual budget for the JEDD and estimated the revenues and expenses of the operation of the JEDD. They also established the distribution of the income tax revenues. The Board is authorized to take such necessary and appropriate actions, or establish such programs to facilitate economic development in the JEDD area. Continued existence of the JEDD is dependent on the Township's continued participation; however, the Township does not have an equity interest in the JEDD. The JEDD is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the Township. In 2007, the JEDD had total distributions of \$305,550 of which \$61,110 went to the Township. Complete financial statements can be obtained from the Office of the City Auditor, City of Elyria, 131 Court Street, Elyria, Ohio 44035.

**Note 13 – Public Entity Risk Pool**

During 2007, the Township belonged to the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member townships pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty Coverage**

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006.)

**Property Coverage**

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop-loss is reached by payment losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$1,682,589.

**Elyria Township**  
**Lorain County, Ohio**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

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The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and members' equity at December 31, 2007.

	<u>2007</u>
Assets	\$43,210,703
Liabilities	<u>(13,357,837)</u>
Members' Equity	<u><u>\$29,852,866</u></u>

**Note 14 – Compliance**

Contrary to Ohio Revised Code Section 5705.39, the general fund had original appropriations of \$422,071 and estimated resources plus carryover balance of \$282,371 for an excess of \$139,700 and the motor vehicle license tax fund had original appropriations of \$27,250 and estimated resources plus carryover balance of (\$16,654) for an excess of (\$43,904).

Contrary to Ohio Revised Code Section 5705.39, the general fund had final appropriations of \$422,071 and estimated resources plus carryover balance of \$283,591 for an excess of \$138,480 and the motor vehicle license tax fund had final appropriations of \$27,250 and estimated resources plus carryover balance of (\$16,654) for an excess of (\$43,904).

Contrary to Ohio Revised Code Section 5705.41(B), the general fund had expenditures in excess of appropriations of \$288,747 and the fire levy fund had expenditures in excess of appropriations of \$24,932.

Although the budgetary violations were not corrected by year end, management has indicated that appropriations will be closely monitored to ensure no future violations.

The Motor Vehicle License Tax fund and the Public Works Commission fund had a negative cash fund balances of \$50,326 and \$6,808, respectively, indicating that revenue from other sources were used to pay obligations of these funds, contrary to Ohio Revised Code Section 5705.10.

**Elyria Township**  
**Lorain County, Ohio**  
**Notes to the Financial Statements**  
**For the Year Ended December 31, 2007**

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In order to eliminate future negative cash, the Township will make cash advances during the year.

**Note 15 – Transfers**

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the general fund to provide additional resources for current operations or debt service; and to segregate money for anticipated capital projects.

	Transfer From		
Transfer To	General Fund	Non-Major Fund Blue Bag	Total
Major Fund:			
General Fund	\$0	\$50,600	\$50,600
Nonmajor Funds:			
Street Lighting	0	2,400	2,400
Blue Bag	59,858	0	59,858
Total	\$59,858	\$53,000	\$112,858

The general fund transfer to the blue bag recycling special revenue fund was to cover expenses and the blue bag recycling fund transfers to the general fund and street lighting special revenue fund were to correct transfers from the general fund and the street lighting special revenue fund to the blue bag recycling special revenue fund.

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Elyria Township  
Lorain County  
41416 Griswold Road  
Elyria, Ohio 44035

To the Board of Trustees:

We have selectively tested certain accounts, financial records, files, and reports of Elyria Township, Lorain County, Ohio, (the Township), as of and for the year ended December 31, 2007, following Ohio Admin. Code § 117-4-02. Our engagement was not designed to result in expressing an opinion on the accompanying financial statements, internal control over financial reporting, or compliance. We therefore express no opinion on these matters.

### Internal Control Over Financial Reporting

During our procedures related to the internal control over financial reporting we noted matters that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. In addition, these matters could result in the occurrence of misstatements that are caused by error or fraud that would not be detected in a timely manner by employees when performing the assigned functions. These matters are described in the schedule of findings as items 2007-014 through 2007-019.

### Compliance and Other Matters

We tested compliance with certain provisions of laws, regulations, contract, and grant agreements, applicable to the Township. Noncompliance with these requirements could impact the Township's ability to determine financial statement amounts. The results of our tests disclosed instances of noncompliance or other matters that are reported in the accompanying schedule of findings as items 2007-001 through 2007-013.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

December 10, 2009

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ELYRIA TOWNSHIP  
LORAIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2007-001

**Finding for Adjustment**

**Interfund Transfers**

Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16 provide guidelines pertaining to allowable interfund transfers. In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the General Fund may be made by resolution of the taxing authority, passed with a two-thirds affirmative vote. In addition to transfers from the General Fund and those permitted by Ohio Rev. Code Section 5705.14, the taxing authority of any political subdivision, with the approval of the Tax Commissioner and the Court of Common Pleas, may transfer from one fund to any other public funds under its supervision, with certain exceptions, which are detailed in Ohio Rev. Code Section 5705.15.

Except in the case of transfers from the General Fund, transfers can be made only by resolution of the taxing authority passed with the affirmative vote of two thirds of the members. Transfers from the General Fund require a resolution passed by a simple majority of the members (i.e., a two thirds vote is not required for General Fund transfers though a resolution is required).

During fiscal year 2007, we noted the Township transferred \$29,500 from the Blue Bag Fund to the General Fund without approval of the Trustees through resolution. This transfer does not meet the criteria for proper transfers set forth in Ohio Rev. Code Sections 5705.14, 5705.15, and 5705.16.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for adjustment for public money illegally transferred is hereby issued against the Township's General Fund in the amount of \$29,500, in favor of the Township's Blue Bag Fund.

***Official's Response:***

The Township did not respond to this finding.

FINDING NUMBER 2007-002

**Finding For Adjustment**

**Allocation of Interest**

Ohio Constitution, Article XII, Section 5a, and 1982 Op. Atty Gen. No. 82-031, state that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.

The Township has pooled cash investments from various funds, including the Gasoline Tax Fund, but has not distributed the interest earned on its pooled investments in accordance with the above requirements. The Township should have allocated \$521 to the Gasoline Tax Fund in fiscal year 2007. As a result, revenues were overstated in the General Fund and understated in the Gasoline Tax Fund.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for adjustment for public money illegally receipted is hereby issued against the Township's General Fund in the amount of \$521, in favor of the Township's Gasoline Tax Fund.

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007  
FINDING NUMBER 2007-002**

**Finding For Adjustment**

**Allocation of Interest (Continued)**

***Official's Response:***

The Township did not respond to this finding.

**FINDING NUMBER 2007-003**

**Noncompliance Citation**

**Certification of Tax Levies**

Ohio Rev. Code Section 5705.34 requires each taxing authority to pass an ordinance or resolution to authorize the necessary tax levies and certify them to the county auditor before October 1<sup>st</sup>, unless a later date is approved by the Tax Commissioner.

During our audit, we noted the Board of Trustees approved the "Resolution Accepting the Amounts and Rates as Determined by the Budget Commission and Authorizing the Necessary Tax Levies and Certifying them to the County Auditor", on November 6, 2006 for fiscal year 2007. Although the Tax Commissioner approved an extension through November 1, 2006, the Township did not approve the resolution before the extended date.

We recommend the Township approve the tax rate resolution and certify it to the County Auditor before the required date.

***Official's Response:***

The Township did not respond to this finding.

**FINDING NUMBER 2007-004**

**Noncompliance Citation**

**Negative Fund Balances**

Ohio Revised Code Section 5705.10(H) states that money paid into any fund shall be used only for the purposes for which such fund is established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund, or in the case of the General Fund, that appropriations and budgetary expenditures exceeded estimated resources and actual receipts.

At December 31, 2007, the Township experienced a negative cash fund balance in the Motor Vehicle License Tax Fund of \$50,326 and in the Public Works Commission Fund of \$6,808.

We recommend the Township compare estimated receipts and appropriations with actual receipts and expenditures on a monthly basis during the year to ensure the Township is not spending more than is appropriated or actually available for expenditure.

***Official's Response:***

The Township did not respond to this finding.

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007  
FINDING NUMBER 2007-005**

**Noncompliance Citation**

**Appropriations Exceeding Estimated Resources**

Ohio Rev. Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Township's legal level of control is at the fund level. (See Finding 2007-006.)

The following funds had appropriations exceeding original estimated resources at the beginning of fiscal year 2007:

<b>Fund Number/Name</b>	<b>Appropriations</b>	<b>Estimated Resources Plus Beginning Unencumbered Cash</b>	<b>Variance</b>
1000 General	\$422,071	\$282,371	(\$139,700)
2011 Motor Vehicle License Tax	27,250	(16,654)	(43,904)

The following funds had appropriations exceeding estimated resources at the legal level of budgetary control on December 31, 2007:

<b>Fund Number/Name</b>	<b>Appropriations</b>	<b>Estimated Resources Plus Beginning Unencumbered Cash</b>	<b>Variance</b>
1000 General	\$422,071	\$283,591	(\$138,480)
2011 Motor Vehicle License Tax	27,250	(16,654)	(43,904)

This weakness allowed expenditures in the Motor Vehicle License Tax Fund to exceed the total of the available fund balance and the current year revenues, resulting in a negative cash fund balance.

We recommend the Township compare appropriations to estimated resources at the legal level of budgetary control, in all funds which are legally required to be budgeted, to ensure compliance with this requirement. This comparison should be performed on a monthly basis, at minimum.

***Official's Response:***

The Township did not respond to this finding.

**FINDING NUMBER 2007-006**

**Noncompliance Citation**

**Expenditures in Excess of Appropriation Authority**

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from making an expenditure unless it has been properly appropriated.

On December 31, 2007, the following funds had expenditures plus encumbrances exceeding authorized appropriations, at the fund level:

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007  
(Continued)**

**FINDING NUMBER 2007-006**

**Noncompliance Citation**

**Expenditures in Excess of Appropriation Authority (Continued)**

<b>Fund</b>	<b>Appropriations Plus Prior Year Encumbrances</b>	<b>Expenditures Plus Encumbrances</b>	<b>Variance</b>
1000 General	\$422,071	\$710,818	(\$288,747)
2191 Fire Levy	262,891	287,823	(24,932)
2221 Street Lighting	10,000	10,227	(227)
2909 Blue Bag Recycling	31,000	32,891	(1,891)

Monitoring appropriations is vital for maintaining sound budgetary practices. By not monitoring the appropriations, expenditures plus encumbrances could result in funds exceeding the total available fund balance.

We recommend the Township verify that all expenditures and encumbrances have proper appropriation authority prior to expending funds or certifying encumbrances and compare appropriations to expenditures plus encumbrances in all funds which are legally to be budgeted to maintain compliance with the above requirement.

***Official's Response:***

The Township did not respond to this finding.

**FINDING NUMBER 2007-007**

**Noncompliance Citation**

**Legal Level of Budgetary Control**

Ohio Admin. Code 117-2-02(C)(1) states in part that the legal level of control is the level (e.g. fund, program or function, department, object) at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates. For all local public offices subject to the provisions of Chapter 5705 of the Ohio Rev. Code, except school districts and public libraries, the minimum legal level of control is described in Section 5705.38 of the Ohio Rev. Code.

Ohio Rev. Code 5705.38(C) requires the following minimum level of budgetary control for "subdivisions" other than schools: "Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services

During our review of the Township's appropriation ordinances, we noted the Township's legal level of control was at the fund level, which does not meet the legal level of control prescribed above.

We recommend the Township approve appropriations at the legal level of control required by Ohio Rev. Code Section 5705.38(C).

***Official's Response:***

The Township did not respond to this finding.

ELYRIA TOWNSHIP  
LORAIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007  
(Continued)

FINDING NUMBER 2007-008

**Noncompliance Citation**

**Blanket Fiscal Officer Certificates**

Ohio Rev. Code Section 5705.41(D) states, in part, that fiscal officers may prepare so-called “blanket” certificates for a sum not exceeding an amount established by resolution or ordinance adopted by the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year.

We noted the Township utilized blanket purchase orders during fiscal year 2007, but the Trustees did not adopt a resolution or ordinance establishing the maximum amount for which a blanket certificate may be issued.

We recommend the Township Trustees adopt a resolution or ordinance establishing a maximum amount for which blanket fiscal officer certificates may be issued in order to maintain compliance with this requirement.

***Official's Response:***

The Township did not respond to this finding.

FINDING NUMBER 2007-009

**Noncompliance Citation**

**Proper Encumbrance of Funds**

Ohio Rev. Code Section 5705.41(D), provides that no subdivision or taxing authority shall make any contract or give any order involving the expenditure of money unless there is attached a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. **“Then and Now” Certificates** - If the fiscal officer can certify that both at the time the contract or order was made (“then”), and at the time the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Board of Trustees has 30 days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for the approval of expenditures by the Township.

ELYRIA TOWNSHIP  
LORAIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007  
(Continued)

FINDING NUMBER 2007-009

**Noncompliance Citation**

**Proper Encumbrance of Funds (Continued)**

2. **Blanket Certificates** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificates** – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not extended beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

During our testing, we noted 6 out of 40 expenditures (15%) were entered into prior to receiving the fiscal officer’s certification. Although purchase orders were certified by the Fiscal Officer after the fact, invoices received before a purchase order is prepared precludes the Fiscal Officer from certifying funds are available before the expenditure is made.

We also noted that the Board of Trustees did not approve by resolution the expenditures exceeding \$3,000 for which “then and now” certification was used.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to ensure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township’s funds exceeding budgetary spending limitations, we recommend the Fiscal Officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, “then and now” certification should be used following the aforementioned guidelines.

We recommend the Township certify expenditures to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Township should also make sure that when “then and now” certification is used for expenditures exceeding \$3,000, that the expenditures are subsequently approved by the Board of Trustees through resolution.

***Official’s Response:***

The Township did not respond to this finding.



**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007  
(Continued)**

**FINDING NUMBER 2007-010**

**Noncompliance Citation**

**Timely Depositing of Receipts**

Ohio Revised Code Section 9.38 provides that any public official and/or employee who receives public monies shall deposit said monies with the Treasurer or with a properly designated depository on the next business day following the day of receipt, if the total received exceeds one thousand dollars. If the total amount of the public money received does not exceed one thousand dollars, the person shall deposit the monies on the business day next following the day of the receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the monies until such time as the monies are deposited. The policy shall include provisions and procedures to safeguard the public monies until they are deposited.

During our test of zoning receipts, we noted eight out of 13 receipts tested (61%), in which the deposit was not made to the Fiscal Officer or to a designated depository on the business day following the day of receipt. These receipts were deposited within a period of four to 45 days after the initial receipt of money. The Township does not currently have a policy permitting officials who receive public money to hold it past the next business day.

We recommend the Township take the necessary steps to comply with the aforementioned Ohio Revised Code section, specifically, that all deposits be made in a timely manner. We recommend the Township deposit monies collected either with the Fiscal Officer or its depository on the next business day following the day of receipt or the Township adopt a policy requiring all monies collected to be deposited with the Fiscal Officer or properly designated depository within three business days following the day of receipt, if the total amount of such monies is less than \$1,000. Additionally, such a policy must include procedures to safeguard the monies until the time of deposit.

***Official's Response:***

The Township did not respond to this finding.

**FINDING NUMBER 2007-011**

**Noncompliance Citation**

**Investment Training Certificate**

Ohio Revised Code Section 135.22 requires subdivision treasurers to complete annual continuing education programs provided by the Treasurer of State. The Treasurer of State issues a certificate indicating that the treasurer has successfully completed the continuing education program. The continuing education requirement does not apply to a subdivision treasurer who annually provides a notice of exemption to the Auditor of State, certified by the Treasurer of State, that the treasurer is not subject to the continuing education requirements because the treasurer invests or deposits public funds in the following investments only: (1) Interim deposits pursuant to Ohio Revised Code section 135.14(B)(3); (2) STAR Ohio pursuant to Ohio Revised Code Section 135.14(B)(6); or (3) No-load money market mutual funds pursuant to Ohio Revised Code Section 135.14(B)(5).

The Township could not provide either the training certificate evidencing the Fiscal Officer's attendance at the Treasurer of State training during fiscal year 2007, or a notice of exemption indicating the Fiscal Officer was not required to attend the training.

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007  
(Continued)**

**FINDING NUMBER 2007-011**

**Noncompliance Citation**

**Investment Training Certificate (Continued)**

We recommend the Township Fiscal Officer maintain the Treasurer of State training certificates, or the notice of exemption certified by the Treasurer of State indicating the Fiscal Officer was not required to attend the training.

***Official's Response:***

The Township did not respond to this finding.

**FINDING NUMBER 2007-012**

**Noncompliance Citation**

**Retention of Public Records**

Ohio Revised Code Section 149.351(A) states in part that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions. Ohio Revised Code Section 149.43(B)(1) provides that all public records shall be promptly prepared and made available to any member of the general public at all reasonable times during the regular business hours for inspection. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time. Subsection (B)(2) provides that in order to facilitate broader access to public inspection, governmental units shall maintain public records in such a manner that they can be made available for inspection or copying.

During the audit, we noted certain expenditure documentation was not maintained in the Township's records or that appropriate supporting documentation for certain expenditures was not maintained. These instances are as follows:

- There was one voucher package in 2007 that could not be located. In addition, there were ten cancelled checks in 2007 that were not located during the audit.
- We noted one invoice paid in 2007 in which automotive supplies were purchased for the fire and service departments, but there was no indication on the invoice as to what items were purchased for each department and it was not broken out in a way that allowed the charges to be easily determinable. Appropriate supporting documentation for the amounts charged to each fund/account was not maintained.
- We noted another invoice that was paid in 2007 for which there was no detailed information on the invoice other than a reference to another invoice number that was not attached. Attached to this voucher was a training listing, but the amounts shown on the listing did not support the amount paid or the amount shown on the invoice. Proper supporting documentation for this expenditure was not maintained.

The Township's failure to maintain adequate public records could result in a loss of accountability over the Township's finances and make it difficult for the Township to identify errors which could go undetected. In addition, failing to maintain original vouchers or complete supporting documentation could result in the Township making payment on a voucher that would otherwise not have been approved, which could indicate an improper interest in expenditures by a public official.

ELYRIA TOWNSHIP  
LORAIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007  
(Continued)

FINDING NUMBER 2007-012

**Noncompliance Citation**

**Retention of Public Records**

We recommend the Township maintain all public records at the Township Hall as required by the Ohio Revised Code.

***Official's Response:***

The Township did not respond to this finding.

FINDING NUMBER 2007-013

**Noncompliance Citation**

**Establishment of Funds**

Ohio Rev. Code Section 5705.09 requires each subdivision to establish the following funds:

- General fund;
- Sinking fund whenever the subdivision has outstanding bonds other than serial bonds;
- Bond retirement fund, for the retirement of serial bonds, notes, or certificates of indebtedness;
- A special fund for each special levy;
- A special bond fund for each bond issue;
- A special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose;
- A special fund for each public utility operated by a subdivision;
- A trust fund for any amount received by a subdivision in trust.

Ohio Rev. Code Section 3781.102(E) states, in part that, the political subdivision associated with each municipal, township, and county building department the Board of Building Standards certifies may prescribe fees to be paid by persons, political subdivisions, or any department, agency, board commission, or institution of the state, for the acceptance and approval of plans and specifications, and for the making of inspections, pursuant to sections 3781.03 and 3791.04 of the Ohio Revised Code. Furthermore, ORC Section 3781.102(F) states, each political subdivision that prescribes fees pursuant to 3781.102(E), shall collect, on behalf of the Board of Building Standards, fees equal to the following: (1) Three percent of the fees the political subdivision collects in connection with nonresidential buildings; and (2) One percent of the fees the political subdivision collects in connection with residential buildings.

In accordance with Ohio Rev. Code Section 5705.09, local governments assessing the three percent Board of Building Standards fee are required to account for the money in an a separate fund. Agency funds are used in situations where the government plays a more limited role, often acting as an agent for collecting, temporarily holding, and remitting resources to the third party to which they belong.

In 2007, the Township was properly collecting and remitting monthly, to the Board of Building Standards, an assessment equal to three percent of such fees. However, the accounting for this activity was recorded in the General Fund.

ELYRIA TOWNSHIP  
LORAIN COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2007  
(Continued)

FINDING NUMBER 2007-013

**Noncompliance Citation**

**Establishment of Funds (Continued)**

We recommend the Township account for the collecting and remitting of the Board of Building Standards assessment fees in a separate agency fund in accordance with Ohio Rev. Code Section 5705.09.

***Official's Response:***

The Township did not respond to this finding.

FINDING NUMBER 2007-014

**Disaster Recovery and Computer Back-Up Procedures**

Sound computer backup practices require that a periodic copy of the system and data files be retained off-site to ensure their availability in the event of complete data loss.

Although backup procedures are available through the Uniform Accounting Network (UAN) utilized by the Township, the Township does not regularly back up its files. In addition, all of the Township's manual records are maintained in the same location as the UAN-issued computer, which is the Fiscal Officer's home.

The Township's practice of not backing up its data files and the storing of all supporting manual records at the same location as the computer increases the risk that the data will not be available and allows for a potential serious disruption of operations in the event of a disaster.

We recommend the Township establish back-up procedures which include creating and storing weekly backups in a safe and secure location, and that the back-up files and manual records be rotated off-site to a location (perhaps Town Hall) where the Township can ensure adequate environmental protection and access controls.

We also recommend the Township adopt a written disaster recovery plan, in order to further minimize potential costs associated with the recovery and/or recreation of pertinent financial information. An elaborate plan may not be necessary; however, additional tasks should be performed to ensure efficient recovery if a disaster occurs. We recommend at a minimum, the following be developed:

- Recovery terms and definitions;
- Technical (hardware/software) recovery procedures;
- End user recovery procedures;
- Readiness plan; and an
- Emergency contact list.

Once completed, the plan should be periodically reviewed and tested to ensure its continued applicability. This review should also ensure that personnel are sufficiently trained to carry out procedures necessary to restore functions critical to business operations. All individuals responsible for the disaster recovery plan tasks should be knowledgeable of their duties and retain a copy of the plan. Additionally, an updated copy of the plan and restore procedure documentation should also be kept off-site.

***Official's Response:***

The Township did not respond to this finding.

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007  
(Continued)  
FINDING NUMBER 2007-015**

**Uniform Accounting Network Budgetary Procedures**

Budgetary amounts entered into the Uniform Accounting Network (UAN) accounting system did not always agree with the Township's applicable certificate of estimated resources and appropriation resolutions.

Failure to properly enter and update these budgeted amounts limits the Township's ability to monitor revenues and expenditures against the budgeted estimates, which could result in noncompliance with budgetary compliance requirements.

We recommend the Fiscal Officer accurately, and in a timely manner, enter and update the estimated receipt and approved appropriations into the UAN accounting system to enhance the Township's monitoring of budget versus actual information.

***Official's Response:***

The Township did not respond to this finding.

**FINDING NUMBER 2007-016**

**Employee Personnel File Documentation**

During our review of employee personnel files, we noted the Township's files did not contain the appropriate authorization documents for each employee. Employee personnel files should contain the employee's job application, hiring authorization, position and authorized salary, deduction authorizations for deferred compensation or charitable contributions, retirement system participation, and federal, state and local income tax withholding authorizations.

We recommend the Fiscal Officer establish a system of employee personnel files containing the above mentioned documentation for each of the Township's employees.

***Official's Response:***

The Township did not respond to this finding.

**FINDING NUMBER 2007-017**

**Monitoring Financial Activity**

The Township's financial statements for 2007 required adjustment and reclassification. Also noted were errors in the Township's treasury reconciliations. A detailed list of the adjustments was provided to the Fiscal Officer and Board of Trustees for posting and future reference.

The small size of the Township's staff does not allow for an adequate segregation of duties. As such, the Fiscal Officer must perform all accounting functions. Therefore, it is important for the Board of Trustees to monitor financial activity.

We recommend the Fiscal Officer provide reports of the Township's financial activities to the Board of Trustees to allow the Board to adequately monitor financial activity. Necessary information would include, at minimum, the following:

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007  
(Continued)**

**FINDING NUMBER 2007-017**

**Monitoring Financial Activity (Continued)**

- Summary of monthly and year-to-date revenues and expenditures;
- Budget versus actual comparisons of revenues and expenditures at the legal level of budgetary control;
- Summary of large or unusual transactions;
- Monthly treasury reconciliation;
- Any necessary budget amendments, and;
- A summary of the Township's investment activity.

These reports should be approved by the Board of Trustees on a monthly basis.

The Trustees should also consider adopting an approval process for the monthly reconciliation of cash to fund balances. The Fiscal Officer performs the monthly reconciliations; however, to ensure fiscal monitoring, the Trustees should obtain assurances that the proper month-end balancing procedures have been performed. This approval can be recorded in the record of proceedings of the Board of Trustees or evidenced by the initials of the designated trustee(s).

***Official's Response:***

The Township did not respond to this finding.

**FINDING NUMBER 2007-018**

**Monitoring of Expenditures**

During our review of the Township's expenditures, we noted several instances indicating a weakness over the payment of expenditures:

- An invoice attached to a voucher in 2007 was marked "paid in full cash 8/21/07", but the Township remitted a check for the same amount (\$11.50) on 9/30/07. It does not appear the Township should have paid the invoice, since it was already noted on the invoice that the Township paid in cash. It was not determined whether the Township received a credit for this amount.
- We noted five instances in which the description and account code on blanket purchase orders did not match the purpose of the respective expenditures, which resulted in expenditures being charged to the incorrect account code.

We recommend the Township more closely inspect invoices prior to payment to help ensure Township monies are spent efficiently and appropriately. The Fiscal Officer should follow-up with vendors when discrepancies are noted on invoices or when payments are not properly credited to the Township's account. The Township should also make it a priority to pay its obligations on time in order to avoid late fees, which are not considered to be a proper public purpose. The Township should also consider taking advantage of any discounts that may be offered by vendors for early payment. Such discounts may be significant on larger purchases, and could result in a cost savings to the Township.

We also recommend the Township be more attentive in its posting of expenditures. The descriptions on the blanket purchase orders should match the expenditure line being charged, as well as the purpose of the expenditure.

**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2007  
(Continued)**

**FINDING NUMBER 2007-018**

**Monitoring of Expenditures (Continued)**

***Official's Response:***

The Township did not respond to this finding.

**FINDING NUMBER 2007-019**

**Audit Committee**

The Township should establish an Audit Committee to serve as a liaison between management and its auditors. The primary functions of such a Committee are to monitor and review the Township's accounting and financial reporting practices, and to follow up on citations and recommendations made by its auditors.

The Audit Committee should be actively involved in:

- Meeting with the Township's independent auditors before and after each audit;
- Monitoring the progress of the financial and compliance audit;
- Evaluating the results of the financial and compliance audit; and
- Ensuring that the internal control and legal compliance issues identified in the audit are promptly and effectively remediated.

In addition, the Audit Committee should meet regularly (perhaps quarterly) to monitor the Township's legal compliance, financial condition, and controls over the safeguarding of assets. The Audit Committee can include members of the Board of Trustees. However, it can also include representation that is independent from elected officials or management. The audit committee could include professionals knowledgeable in the Township's financial operations, such as attorneys or bankers.

***Official's Response:***

The Township did not respond to this finding.

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**ELYRIA TOWNSHIP  
LORAIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2006-001	Allocation of Interest – Ohio Rev. Code Section 117.28	No	Finding not corrected; repeated as 2007-002
2006-002	Negative Fund Balances – Ohio Rev. Code Section 5705.10(H)	No	Finding not corrected; repeated as 2007-004
2006-003	Appropriations Exceeding Estimated Resources – Ohio Rev. Code Section 5705.39	No	Finding not corrected; repeated as 2007-005
2006-004	Expenditures in Excess of Appropriation Authority – Ohio Rev. Code Section 5705.41(B)	No	Finding not corrected; repeated as 2007-006
2006-005	Legal Level of Budgetary Control – Ohio Rev. Code Section 5705.38(C)	No	Finding not corrected; repeated as 2007-007
2006-006	Blanket Fiscal Officer Certificates – Ohio Rev. Code Section 5705.41(D)	No	Finding not corrected; repeated as 2007-008
2006-007	Proper Certification of Funds – Ohio Rev. Code Section 5705.41(D)	No	Finding not corrected; repeated as 2007-009
2006-008	Investment Training Certificate – Ohio Rev. Code Section 135.22	No	Finding not corrected; repeated as 2007-011
2006-009	Retention of Public Records – Ohio Rev. Code Section 149.351(A)	No	Finding not corrected; repeated as 2007-012
2006-010	Disaster Recovery and Computer Backup Procedures	No	Finding not corrected; repeated as 2007-014
2006-011	Uniform Accounting Network Budgetary Procedures	No	Finding not corrected; repeated as 2007-015
2006-012	Employee Personnel File Documentation	No	Finding not corrected; repeated as 2007-016
2006-013	Monitoring Financial Activity	No	Finding not corrected; repeated as 2007-017
2006-014	Monitoring of Expenditures	No	Finding not corrected; repeated as 2007-018
2006-015	Audit Committee	No	Finding not corrected; repeated as 2007-019





Mary Taylor, CPA  
Auditor of State

ELYRIA TOWNSHIP

LORAIN COUNTY

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
FEBRUARY 9, 2010